

TOWNSHIP OF GRANT  
OCEANA COUNTY, MICHIGAN

FINANCIAL STATEMENTS

JUNE 30, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>GRANT TOWNSHIP</b>	County <b>OCEANA</b>
Fiscal Year End <b>6/30/2006</b>	Opinion Date <b>12/19/2006</b>	Date Audit Report Submitted to State <b>12/29/2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

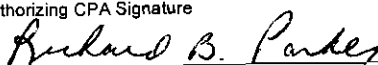
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>RICHARD B. PARKER, CPA, PC</b>		Telephone Number <b>231/893-3178</b>	
Street Address <b>2264 EAST MEINERT</b>		City <b>HOLTON</b>	State Zip <b>MI 49425</b>
Authorizing CPA Signature 		Printed Name <b>RICHARD B. PARKER</b>	License Number <b>10160</b>

GRANT TOWNSHIP, OCEANA COUNTY  
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**RICHARD B. PARKER, CPA,PC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**2264 EAST MEINERT**  
**HOLTON, MICHIGAN 49425**  
**(231)893-3178**

The Honorable Supervisor and  
Members of the Township Board  
Grant Township  
Oceana County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of Grant Township, Oceana County, Michigan, as of and for the year ended June 30, 2006, as listed in the table of contents, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of Grant Township, Oceana County, Michigan. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not presented financial statements by fund type to display the financial position and changes in financial position of its general fund and special revenue funds. Accounting principles generally accepted in the United States of America require the presentation of financial statements by fund type. The amounts that would be reported in financial statements by fund type for the Township's general fund and special revenue funds are not reasonably determinable.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my opinion, because of the effects of the matters described in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grant Township, Oceana County, Michigan as June 30, 2006 or the changes in the financial position for the year then ended.

*Richard B. Parker*

Certified Public Accountant

December 19, 2006  
Holton, Michigan

GRANT TOWNSHIP  
Government-Wide Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets -	
Cash and cash equivalents	\$ 61,689
Accounts receivable	60,023
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>640,994</u>
TOTAL ASSETS	<u>\$762,706</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities -	
Deferred revenue	\$ 4,000
Noncurrent Liabilities -	
Mortgage payable - due within one year	<u>80,000</u>
TOTAL LIABILITIES	<u>84,000</u>
Net Assets -	
Invested in capital assets, net of related debt	560,994
Fund balance - General, Fire Operating and Building Code Funds	<u>117,712</u>
TOTAL NET ASSETS	<u>678,706</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$762,706</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP  
Government-Wide Statement of Activities  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities			
General Government	\$ 98,643	\$	\$ ( 98,643)
Public safety	131,851	56,568	( 75,283)
Public works	47,064		( 47,064)
Other	121,420		(121,420)
Interest on long term debt	<u>4,618</u>	<u>          </u>	<u>( 4,618)</u>
Total Governmental Activities	<u>403,596</u>	<u>56,568</u>	<u>(347,028)</u>
General revenues -			
Property taxes			134,577
State Shared revenues			228,310
Interest income			7,587
Other			<u>98,186</u>
Total General Revenues			<u>468,660</u>
Change in Net Assets			121,632
Net Assets - Beginning			<u>557,074</u>
Net Assets - Ending			<u>\$ 678,706</u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP  
Balance Sheet  
GOVERNMENTAL FUNDS  
June 30, 2006

General,  
Fire Operating  
Construction  
Code Funds

ASSETS

Cash and cash equivalents  
Accounts receivable

\$ 61,689  
60,023

\$121,712

LIABILITIES AND FUND EQUITY

LIABILITIES:  
Deferred revenue

\$ 4,000

TOTAL LIABILITIES

4,000

FUND BALANCES:  
Fund balances

117,712

TOTAL FUND BALANCE

117,712

\$121,712

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of  
Net Assets  
June 30, 2006

Total Governmental Fund Balances	\$ 117,712
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Total net assets reported for governmental activities in the Statement of Net Assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets are:

Governmental capital assets	1,052,360
Governmental accumulated depreciation	(411,366)

Long term liabilities are not due and payable in the current period and are not reported in the fund statements. Long term liabilities reported in the Statement of Net Assets that are not reported in the funds balance sheet are:

Mortgage payable	<u>( 80,000)</u>
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Net Assets of Governmental Activities	<u>\$ 678,706</u>
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GRANT TOWNSHIP  
Statement of Revenues and Expenditures and  
Changes in Fund Balance  
GENERAL, FIRE OPERATING AND CONSTRUCTION CODE FUND  
For the Year Ended March 31, 2006

	General, Fire Operating Construction Code Funds
REVENUES:	
Taxes	\$134,577
State grants	228,310
Charges for services	56,568
Interest earned	7,587
Other revenue	<u>98,186</u>
TOTAL REVENUE	<u>525,228</u>
EXPENDITURES:	
General government	89,781
Public safety	116,316
Public works	47,064
Other	121,420
Debt service -	
Principal	60,000
Interest	<u>4,618</u>
TOTAL EXPENDITURES	<u>439,199</u>
EXCESS OF REVENUES OVER EXPENDITURES	86,029
FUND BALANCES - JULY 1, 2005	<u>31,683</u>
FUND BALANCES - JUNE 30, 2006	<u><u>\$117,712</u></u>

The notes to the financial statements are an integral part of this statement.

GRANT TOWNSHIP  
Reconciliation of Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to  
the Statement of Activities  
For the Year Ended June 30, 2006

Net change in Fund balances - Total Governmental Funds	\$ 86,029
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	(24,397)
Repayments of long term debt principal is an expenditure in the governmental funds, but not in the Statement of Activities	<u>60,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$121,632</u></u>

GRANT TOWNSHIP  
Statement of Net Assets  
FIDUCIARY FUND  
June 30, 2006

ASSETS

Cash	<u>\$66,777</u>
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LIABILITIES

Accounts payable - unknown	\$ 887
Due to other funds	12,347
Due to other governments	<u>53,543</u>
	<u>\$66,777</u>

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township do not conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, because the Township reports only one major governmental fund. This fund accounts for all financial resources of the government including those required to be accounted for in another fund such as Fire Operation and State Construction Code. The Township is also not in compliance with PA2 of 1968, as amended, Uniform Chart of Accounts, because the Township has not established the Uniform Chart of Accounts as required by MCL 141.421. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

Grant Township is located in Oceana County and provides services to its residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law Township, and is governed by a 5 member board elected by the citizens of Grant Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the Township.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net assets and the Statement of Changes in Net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

The Township reports only one major governmental fund. This fund accounts for all financial resources of the government, including those required to be accounted for in another fund, such as Fire Operation and State Construction Code.

A Fire Operating Fund that should account for the millage revenue that is reserved for the operation of the fire department is not reported separately.

A Building Department fund (State Construction Code) that should account for revenue that is reserved for the enforcement of the building code is not reported separately.

Additionally, the Township reports the following fund types:

Agency Fund - This fund accounts for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances, if appropriate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables

Transactions between funds, if any, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds, if any, are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building and Building Improvements	15 to 40 years
Vehicles	5 to 10 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the Township supervisor and adopted by the township board at the annual public hearing. The Township board approves all subsequent amendments to the budget, if any. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. There were no amendments to the original budget during the year ended June 30, 2006.

Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
Roads	\$37,041	\$ 47,064	\$ 10,023
Other functions	21,000	121,420	100,420
Debt Service	30,000	64,618	34,618

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. An investment policy has not been adopted by the board in accordance with Public Act 20 of 1943, as amended. The Township's deposits are in accordance with statutory authority.



GRANT TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At the year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$61,689</u>	<u>\$66,777</u>	<u>\$128,466</u>
Total	<u>\$61,689</u>	<u>\$66,777</u>	<u>\$128,466</u>

The breakdown of deposits is as follows:

Bank deposits	<u>\$128,466</u>
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The bank balance of the Township's deposits is \$160,493, of which \$120,000 is covered by Federal depository insurance.

NOTE 4 - PROPERTY TAXES

Property taxes are levied on each December 1 on the taxable valuation of property located in the township as of the preceding December 31. The Township property taxes were levied and collectible on December 1, 2005. It is the policy of the Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2005 taxable valuation of the Township amounted to \$58,966,500 on which ad valorem taxes of 1.2155 mills were levied for Township operating purposes and .9749 mills for fire operations resulting in property tax revenue of \$70,721 and \$56,720, respectively, during the fiscal year ended June 30, 2006. These amounts are recognized in the respective financial statements as tax revenue.

NOTE 5 - RECEIVABLES

Accounts Receivable

Receivables as of year-end for the Township's major fund, in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	<u>General Fund</u>
Other local unit of government	\$ 3,500
State Shared Revenue	56,523
Less: Allowance for uncollectibles	<u>-</u>
Net receivables	<u>\$60,023</u>

GRANT TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 6 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Subtotal	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Capital assets Being Depreciated				
Buildings and building improvements	709,000	-	-	709,000
Vehicles	<u>318,360</u>	<u>-</u>	<u>-</u>	<u>318,360</u>
Subtotal	<u>1,027,360</u>	<u>-</u>	<u>-</u>	<u>1,027,360</u>
Less Accumulated Depreciation for				
Buildings	88,625	17,725	-	106,350
Vehicles	<u>298,344</u>	<u>6,672</u>	<u>-</u>	<u>305,016</u>
Subtotal	<u>386,969</u>	<u>24,397</u>	<u>-</u>	<u>411,366</u>
Net Capital Assets Being Depreciated	<u>640,391</u>	<u>(24,397)</u>	<u>-</u>	<u>615,994</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 665,391</u>	<u>\$(24,397)</u>	<u>\$ -</u>	<u>\$ 640,994</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 8,862
Public safety	<u>15,535</u>
Total Governmental Activities	<u>\$24,397</u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

There are no interfund balances as of the end of the fiscal year.

There were no operating transfers during the fiscal year.

GRANT TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 8 - CHANGES IN LONG TERM DEBT:

The following is a summary of long term debt transactions of the Township for the year ended June 30, 2006:

	<u>Mortgage Payable</u>
Balance - July 1, 2005	\$140,000
Payments	<u>(60,000)</u>
Balance - June 30, 2006	<u>(80,000)</u>

Long term debt at June 30, 2006 is comprised of the following:

Mortgage Payable:

The Township has entered into a mortgage loan agreement with Shelby State Bank to finance the construction of the Township Hall/Fire Station. The mortgage loan is secured by real estate. The original amount of the mortgage was \$500,000. Interest at the rate of 3.5 percent is payable monthly with the entire principal balance due March 30, 2007.

The annual requirement to amortize all outstanding debt, at June 30, 2006 are as follows:

<u>Year Ended June 30,</u>	<u>Mortgage Payable</u>
2007	\$80,000

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - COMMITMENT AND SUBSEQUENT EVENT

On March 7, 2006 the Township entered into an agreement to purchase a new fire truck at a cost of approximately \$267,000. On October 27, 2006 the Township entered into an agreement with Shelby State Bank to borrow \$275,000 on a demand note with interest at the rate of 4.3 percent per annum. Regular monthly payments of principal are not due. Interest payments are due each month beginning November 27, 2006. The entire principal balance is due by October 27, 2007.

GRANT TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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NOTE 11 - RETIREMENT PLAN

The Township's retirement plan is administered by Municipal Retirement Systems, Inc. It is a defined contribution retirement plan which provides retirement benefits for elected officials and full time employees. The Township contributed an amount equal to 7.5% of the employees gross salaries. The amount contributed for the year ended June 30, 2006 was approximately \$2,700. Total Township payroll for the year was approximately \$115,000 including approximately \$36,000 payroll covered by the plan. Employees become 100% vested in the Township's contributions upon entering the plan.

## REQUIRED SUPPLEMENTAL INFORMATION

GRANT TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL, FIRE OPERATING AND CONSTRUCTION CODE FUNDS  
For the Year Ended June 30, 2006

Page 1

	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES:			
Property taxes	\$143,000	\$134,577	\$( 8,423)
State shared revenue	170,000	228,310	58,310
Charges for services	30,000	56,568	26,568
Interest earned	1,000	7,587	6,587
Other revenue	<u>25,000</u>	<u>98,186</u>	<u>( 73,186)</u>
 TOTAL REVENUE	 <u>369,000</u>	 <u>525,228</u>	 <u>(156,228)</u>
EXPENDITURES:			
LEGISLATIVE	<u>20,000</u>	<u>-</u>	<u>20,000</u>
GENERAL GOVERNMENT -			
Supervisor	10,500	324	10,176
Elections	5,000	94	4,906
Assessor	13,000	-	13,000
Clerk	17,500	920	16,580
Treasurer	17,500	439	17,061
Building and grounds	30,000	80,753	( 50,753)
Cemetery	10,000	7,251	2,749
Zoning	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>118,500</u>	<u>89,781</u>	<u>28,719</u>
PUBLIC SAFETY -			
Police protection	10,000	7,928	2,072
Fire and other expenses	<u>155,000</u>	<u>108,388</u>	<u>46,612</u>
	<u>165,000</u>	<u>116,316</u>	<u>48,684</u>
PUBLIC WORKS -			
Roads	<u>37,041</u>	<u>47,064</u>	<u>( 10,023)</u>
OTHER -			
Salaries and wages (note below)	-	115,575	(115,575)
Payroll taxes	6,500	5,845	655
Library	<u>14,500</u>	<u>-</u>	<u>14,500</u>
	<u>21,000</u>	<u>121,420</u>	<u>(100,420)</u>
DEBT SERVICE -			
Principal		60,000	
Interest		<u>4,618</u>	
	<u>30,000</u>	<u>64,618</u>	<u>( 34,618)</u>
 TOTAL EXPENDITURES	 <u>391,541</u>	 <u>439,199</u>	 <u>( 47,658)</u>

GRANT TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL, FIRE OPERATING AND CONSTRUCTION CODE FUNDS  
For the Year Ended June 30, 2006

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	<u>Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$(22,541)	\$ 86,029	\$ 108,570
FUND BALANCES - JULY 1, 2005	<u>31,683</u>	<u>31,683</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2006	<u>\$ 9,142</u>	<u>\$117,712</u>	<u>\$ 108,570</u>

NOTE - Salaries and wages were budgeted under various activities however, the accounting records do not record them under the budgeted activity.

RICHARD B. PARKER, CPA, PC  
CERTIFIED PUBLIC ACCOUNTANT  
2264 EAST MEINERT  
HOLTON, MICHIGAN 49425

(231)893-3178

Honorable Supervisor and Members  
of the Township Board  
Grant Township  
Oceana County, Michigan

In planning and performing my audit of the financial statements of Grant Township, Oceana County, Michigan, for the year ended June 30, 2006, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect the township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to my attention and, had my procedures in internal control related matters been more extensive, other matters might have been noted. The functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole. A summary of such reportable conditions is attached.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

The Township is relatively small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material and reportable weaknesses listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

It is the responsibility of the Township's administration and governing body to resolve these matters. I would be pleased to assist the Township in resolving these matters, which would be undertaken as a separate engagement.

This report is intended solely for the information and use of the Township Board, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Richard B. Parker*  
Certified Public Accountant

December 19, 2006  
Holton, Michigan



GRANT TOWNSHIP-OCEANA COUNTY, MICHIGAN  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2006

**1. NON-COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES-**

The Township does not maintain a general ledger for its accounting records or separate the Township's various funds. All sources of revenue and expenditures of the Township, with the exception of the Tax Collection Fund, are recorded as one fund.

Generally accepted accounting principles require that governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and equity balances and changes therein, which are segregated for the purpose of carrying on specific activities.

The Township should have three separate funds.

The General Fund, which accounts for all financial resources of the Township except those which are required to be accounted for in another fund.

Such other funds for the Township are a Fire Operating Fund and a Building Code Fund. These funds are considered to be Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

The Township should, **retroactively** to July 1, 2006, begin using a fund accounting system that would include the use of a separate general ledger for each fund.

**2. NON-COMPLIANCE WITH PA 2 OF 1968, AS AMENDED, UNIFORM CHART OF ACCOUNTS-**

The Township has not established the Uniform Chart of Accounts as required by MCL 141.421.

The Township should establish the Uniform Chart of Accounts as required, **retroactively** to July 1, 2006.

**3. NON-COMPLIANCE WITH THE DISTRIBUTION OF TAX COLLECTIONS (MCL 211.43)-**

The Township did not meet the State required schedule for distribution of tax collections which constitutes delinquent distribution.

The General Property Tax Act of the State of Michigan requires that the Township distribute property tax collections to other governmental units for which it collects taxes within ten business days of the first and the fifteenth day of each month. Also, the Township is required to distribute at least 90 percent of the tax collections on hand, on the last day of February, within ten business days of the last day of February. In addition, the Township is required to make all distributions of taxes collected by April 1 of each year.

GRANT TOWNSHIP-OCEANA COUNTY, MICHIGAN  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2006

**3. NON-COMPLIANCE WITH THE DISTRIBUTION OF TAX COLLECTIONS (continued)-**

The Township was also delinquent with distributions of the Industrial Facilities Taxes collected. Distribution of the Industrial Facilities Taxes are due by October 20 for the summer taxes and by March 20 for the winter taxes.

The Township should distribute all taxes collected for other units of government based on the required schedule of payments.

**4. INAPPROPRIATE CONTRIBUTIONS OR EXPENDITURES-**

Contributions or expenditures which are not specifically authorized by the Constitution or State Statute cannot be authorized regardless of the worthiness of the cause. Examples of such prohibited expenditures include contributions to churches or non-profit organizations, contributions to community organizations and purchase of office refreshments.

During my testing of expenditures I noted certain expenditures which were not in compliance with Michigan statutory requirements. Specifically, I noted contributions to certain non-profit or community organizations and the purchase of lunches for various Township employees for various reasons.

The Township should not contribute to various organizations unless specifically authorized by State Statute and the purchase of lunches for various individuals should stop.

**5. CREDIT CARD POLICY-**

The Township uses a credit card for certain purchases however, the Township has not adopted a credit card policy as required by State Statute.

The Township should adopt a credit card policy as soon as possible.

**6. INVESTMENT POLICY-**

The Township has not adopted an investment policy as required by State Statute.

The Township should adopt an investment policy as soon as possible.

**7. VENDOR INVOICES NOT CANCELLED UPON PAYMENT-**

During my testing of expenditures I noted that vendor invoices were not marked paid or defaced in any manner upon payment. Defacing, or marking the invoice and all supporting documentation as paid, would reduce the possibility of duplicate payment of vendor invoices. It also would be useful to indicate on the invoice the date paid and the check number that paid the invoice.

GRANT TOWNSHIP-OCEANA COUNTY, MICHIGAN  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2006

**8. IMPROVEMENT OF CASH DISBURSEMENTS PROCEDURES-**

During my testing of expenditures I noted that various cash disbursements were made without adequate supporting documentation.

All invoices or accounts payable requests should have proper supporting documentation including documented evidence of receipt of the service or product and its business purpose.

It would also be useful to file your paid bills alphabetically instead of by the month paid. This would greatly facilitate finding a specific invoice and would also reduce the possibility of duplicate payment of vendor invoices.

**9. BANK ACCOUNT RECONCILIATIONS-**

During my fieldwork I noted that bank accounts appeared to be reconciled at the date the reconciliation was performed.

The bank accounts should be reconciled to the end date of any given month so as to allow comparison to the general ledger.

**10. ADVERSE OPINION ON FINANCIAL STATEMENTS-**

The Township has received an adverse opinion on its financial statements for the fiscal year ended June 30, 2006. The Township should be aware that, according to information that I have received from the Michigan Department of Treasury-Local Audit Division, the Michigan Department of Treasury will begin to enforce their rule this year to reject audits with adverse opinions as a non-audit which could adversely affect the Township's state shared revenue as well as other financial matters.

It is extremely important that the Township immediately resolve the matters that required an adverse opinion to be expressed so as to avoid an adverse opinion in the future.

**11. TOWNSHIP TREASURER DUTIES (MCL 41.76 and MCL 41.78)-**

State statute indicates that the Township Treasurer shall receive and take charge of **all** moneys belonging to the Township, or which are required by law to be paid into the Township treasury, and shall pay over and account for the money, according to the order of the Township Board. Also, the Township Treasurer shall keep an accurate record of the receipts and expenditures of **all** Township moneys in a book which meets the uniform accounting requirements of the state treasurer. The book shall reflect the amount of money belonging to each of the several funds of the Township.

GRANT TOWNSHIP-OCEANA COUNTY, MICHIGAN  
COMMENTS AND RECOMMENDATIONS  
JUNE 30, 2006

**12. RETENTION OF AUDIT REPORTS-**

According to information available to me, the Township's audit reports have not been retained in the past.

The Township should begin to retain its audit reports forever.

**13. TOWNSHIP BOARD MINUTES-**

During my review of the minutes of Township Board meetings it was noted that the Clerk does not sign the minutes.

The Clerk should sign the minutes.

**14. TAX COLLECTION RECORDS AND LACK OF COOPERATION OF TOWNSHIP TREASURER-**

The Township's tax collection records appear to be inadequate and inaccurate. In addition, the Township Treasurer has indicated that she only needs to provide certain tax collection records and refuses to provide the balance of the required evidential matter that I requested for the audit.

Because the Township Treasurer refused to provide the required information I was unable to perform the auditing procedures that would normally be performed in the course of the audit for the tax collection account.

I recommend that the Board discuss with the Township Treasurer her lack of cooperation with the auditor and the condition of the Township's tax collection records.

**15. BUDGETING-**

The budget must be completed for each individual fund of the Township (general, fire operating and state construction code). Currently all funds are combined into one budget. The Michigan Department of Treasury has issued a "Uniform Budget Manual" to be followed by local units of government.

I recommend that the Township, retroactively to July 1, 2006, adopt a budget for each individual fund as outlined in the Uniform Budget Manual.

**It is the responsibility of the Township's administration and governing body to resolve all of these matters. I would be pleased to assist the Township in resolving these matters, which would be undertaken as a separate engagement.**